

LAWTON METROPOLITAN AREA
AIRPORT AUTHORITY

A Component Unit of the City of Lawton, Oklahoma

Financial Statements
For the Years Ended June 30, 2023 and 2022

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TURNER & ASSOCIATES, CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of
The Lawton Metropolitan Area Airport Authority
Lawton, Oklahoma

Opinion

We have audited the accompanying financial statements of Lawton Metropolitan Area Airport Authority, which comprise the statement of net position as of June 30, 2023 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Lawton Metropolitan Area Airport Authority as of June 30, 2023 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lawton Metropolitan Area Airport Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lawton Metropolitan Area Airport Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lawton Metropolitan Area Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lawton Metropolitan Area Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on (pages 4 - 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

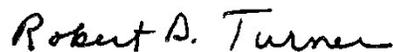
and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Lawton Metropolitan Area Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 29) is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements of Lawton Metropolitan Area Airport Authority. The accompanying Schedule of Passenger Facility Charges (pages 36-37) is presented for purposes of additional analysis as required by the Federal Aviation Administration and is not a required part of the basic financial statements of Lawton Metropolitan Area Airport Authority. The financial statements, Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges have been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the Lawton Metropolitan Area Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawton Metropolitan Area Airport Authority's internal control over financial reporting and compliance.



Turner & Associates, CPAs
December 8, 2023

**Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

The following discussion and analysis of the financial performance of Lawton Metropolitan Area Airport Authority (the Authority) provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

Financial Highlights

- ❖ During the year ended June 30, 2023 the Airport's net position increased to \$30,469,258 from \$29,001,100 in 2022.
- ❖ Operating revenues increased to \$3,298,509 from \$3,255,529 in 2022 and net non-operating revenues increased to \$3,741,350 from \$1,698,260 in 2022. The increase in non-operating revenues was primarily due to a increase in federal funds awarded through the Airport Improvement Program for capital improvements.
- ❖ Operating expenses increased to \$5,571,701 from \$4,942,449 in 2022, primarily a result of increases in payroll related expenses, and cost of sales for the Lawton Aviation Services.

Overview of the Financial Statements

The report on the audit of financial statements is presented in two sections: financial and supplementary. The Authority has elected to present the financial statements in accordance with the business-type activities format, as designated by the Authority's primary government, the City of Lawton. Accordingly, the financial section of this report includes Management's Discussion and Analysis (as required supplementary information); the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; the Statements of Cash Flows; and explanatory Notes to the Financial Statements, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis—for State and Local Governments*, as amended by (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

The Basic Financial Statements

One of the most important questions asked about the Authority is whether it is better off or worse off as a result of the year's financial activities. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Airport as a whole and about its activities in a way that answers this question. These statements include *all* assets and *all* liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The accrual basis of accounting reports the current year's revenues and expenses regardless of when cash is actually received or disbursed.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report the Airport's net position and changes to them. You can think of the airport's net position - the difference between assets and liabilities - as one way to measure the Airport's financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider non-financial factors, however, such as changes in requirements of the programs funded by the Authority, in addition to the condition of its physical facilities, to fully assess the overall health of the Authority.

Financial Analysis of the Authority as a Whole

The Authority's net position increased from a year ago. The following amounts are from the Statements of net position, page 9, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Lawton Metropolitan Area Airport Authority
Net Position
June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$ 1,317,154	\$ 1,880,024	\$ 1,772,061
Noncurrent assets	<u>30,056,777</u>	<u>28,248,987</u>	<u>28,215,317</u>
Total assets	<u>31,373,931</u>	<u>30,129,011</u>	<u>29,987,378</u>
Current liabilities	611,702	518,762	755,409
Noncurrent liabilities	<u>46,394</u>	<u>273,480</u>	<u>12,286</u>
Total liabilities	<u>658,096</u>	<u>792,242</u>	<u>767,695</u>
Deferred inflows of resources	<u>246,577</u>	<u>335,669</u>	<u>229,923</u>

**Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

**Lawton Metropolitan Area Airport Authority
Net Position (continued)
June 30, 2023, 2022, and 2021**

	2023	2022	2021
Net position:			
Net Investment in,			
Capital assets	\$ 29,400,512	\$ 26,295,507	\$ 26,608,505
Restricted for construction	173,342	1,427,903	1,119,442
Unrestricted	895,404	1,277,690	1,261,813
Total net position	\$ 30,469,258	\$ 29,001,100	\$ 28,989,760

Net position increased by \$1,468,158.

**Lawton Metropolitan Area Airport Authority
Operating Results
Years Ended June 30, 2023, 2022, and 2021**

	2023	2022	2021
Operating revenues	\$ 3,298,509	\$ 3,255,529	\$ 2,092,064
Operating expenses	5,571,701	4,942,449	3,810,563
Operating income (loss)	(2,273,192)	(1,686,920)	(1,718,499)
Non operating revenues (expenses)	3,741,350	1,698,260	5,877,176
Changes in net position	1,468,158	11,340	4,158,677
Net position, beginning	29,001,100	28,989,760	24,831,083
Net position, ending	\$ 30,469,258	\$ 29,001,100	\$ 28,989,760

During the year ended June 30, 2023, overall operating revenues increased by \$42,980 and overall operating expenses increased by \$629,252, primarily due to a increase supplies and materials, FBO and increase in employee and payroll expenses.

The Authority's net position increased by \$1,468,158 primarily due to increases in both operating revenues and federal grants.

**Lawton Metropolitan Area Airport Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

**Lawton Metropolitan Area Airport Authority
Analysis of Net Position
Years Ended June 30, 2023, 2022, and 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net position:			
Net investment in,			
Capital assets	\$ 29,400,512	\$ 26,295,507	\$ 26,608,505
Restricted for construction	173,342	1,427,903	1,119,442
Unrestricted	<u>895,404</u>	<u>1,277,690</u>	<u>1,261,813</u>
 Total net position	 <u>\$ 30,469,258</u>	 <u>\$ 29,001,100</u>	 <u>\$ 28,989,760</u>

**Lawton Metropolitan Area Airport Authority
Cash Flows
Years Ended June 30, 2023, 2022, and 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash provided (used) by:			
Operating activities	\$ (756,376)	\$ (15,108)	\$ (859,510)
Non capital financing activities	(19,269)	(13,261)	(1,704)
Capital and related financing			
Activities	(1,559,955)	948,077	1,175,840
Investing activities	<u>19,488</u>	<u>11,451</u>	<u>10,614</u>
Net increase (decrease) in			
cash and cash equivalents	(2,316,112)	931,159	325,240
Cash and cash equivalents, beginning	<u>2,852,675</u>	<u>1,921,516</u>	<u>1,596,276</u>
Cash and cash equivalents, ending	<u>\$ 536,563</u>	<u>\$ 2,852,675</u>	<u>\$ 1,921,516</u>

Capital Assets and Debt Administration

At June 30, 2023, the Authority's investment in net capital assets increased by \$3,164,179.

**Lawton Metropolitan Area Airport Authority
Capital Assets, Net
Years Ended June 30, 2023, 2022, and 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital assets:	\$ 61,711,430	\$ 56,941,796	\$ 55,734,808
Less: accumulated depreciation	<u>(32,251,744)</u>	<u>(30,646,289)</u>	<u>(29,102,903)</u>
Capital assets, net	<u>\$ 29,459,686</u>	<u>\$ 26,295,507</u>	<u>\$ 26,631,905</u>

**Lawton Metropolitan Area Airport Authority
Management’s Discussion and Analysis
For the Year Ended June 30, 2023**

Capital Assets and Debt Administration (continued)

Major capital asset transactions during the year include the following additions:

* Runways, ramps, and roads	\$	34,975
* Buildings and improvements		2,116,688
* Machinery and Equipment		349,338
* Furniture and Fixtures		-
* Construction in Progress		4,339,183

The construction in progress during the current year is construction costs on AIP project 43, and the car rental wash facility project. The car rental wash facility had 1,710,412 in current year construction costs and the total cost of 2,037,647 for that project was completed and capitalized this year. AIP project 43 had current year construction costs of 2,628,772 for the terminal construction phase 3 & 4. The total grant application project amount for AIP project 43 is 10,355,000.

The Authority had long-term debt outstanding at June 30, 2023 related to the purchase of capital assets of \$46,394 and \$461,767 of short term debt of which \$448,987 is on lines of credit.

Economic Factors and the Airport’s Future

The Authority’s board considered factors when setting the budget, rates, and fees that will be charged for the Authority’s services. One of these factors is the economy.

Contacting the Airport’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority’s finances and to show the Authority’s accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Barbara McNally, Airport Director, Lawton Metropolitan Area Airport Authority, 3401 South 11th Street, Lawton, Oklahoma 73501.

Lawton Metropolitan Area Airport Authority
Statements of Net Position
For the Years Ended June 30, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 363,221	\$ 1,424,772
Accounts receivable	88,073	113,724
Leases Rec, current portion (Note 17)	94,821	89,092
Due from governments	640,344	59,303
Due from TSA DHS	7,160	8,640
Prepaid insurance	11,887	11,198
Inventory	<u>111,648</u>	<u>173,295</u>
Total current assets	1,317,154	1,880,024
Noncurrent assets:		
Restricted cash	173,342	1,427,903
Leases Rec, net of current portion (Note 17)	151,756	246,577
Prepaid land lease	266,266	273,273
Goodwill: FBO purchase	5,727	5,727
Property, plant, and equipment, net of accumulated depreciation	<u>29,459,686</u>	<u>26,295,507</u>
Total noncurrent assets	<u>30,056,777</u>	<u>28,248,987</u>
Total assets	<u>\$ 31,373,931</u>	<u>\$ 30,129,011</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 95,917	281,662
Accrued liabilities	22,404	20,270
Accrued compensated absences	19,281	20,333
Unearned revenue	12,333	12,972
Current portion of long term debt	<u>461,767</u>	<u>183,525</u>
Total current liabilities	611,702	518,762
Long-term liabilities	<u>46,394</u>	<u>273,480</u>
Total liabilities	<u>658,096</u>	<u>792,242</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from leases	<u>246,577</u>	<u>335,669</u>
Total Deferred inflows of resources	<u>246,577</u>	<u>335,669</u>
NET POSITION:		
Net investment in capital assets	\$ 29,400,512	\$ 26,295,507
Restricted:		
Passenger facility charge funds	173,342	269,001
Customer facility charge funds	<u> </u>	<u>1,158,902</u>
Total restricted	173,342	1,427,903
Unrestricted net position	<u>895,404</u>	<u>1,277,690</u>
Total net position	<u>\$ 30,469,258</u>	<u>\$ 29,001,100</u>

See accompanying notes to financial statements.

Lawton Metropolitan Area Airport Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

OPERATING REVENUES	<u>2023</u>	<u>2022</u>
Rental income	\$ 616,861	\$ 692,896
Fire services contributed by City of Lawton	654,018	664,415
Commissions	5,532	2,884
Landing fees	74,721	72,879
Parking	221,489	200,547
Federal grants - TSA/DHS	47,720	55,880
FBO income	1,669,874	1,561,612
Other	<u>8,294</u>	<u>4,416</u>
Total operating revenues	<u>3,298,509</u>	<u>3,255,529</u>
OPERATING EXPENSES		
Wages, airport and FBO	707,162	637,369
Payroll taxes and benefits, airport and FBO	181,953	160,324
Wages, payroll taxes, benefits, fire service	594,134	604,080
Advertising and promotion	17,244	19,845
Legal and professional	206,493	185,026
Training and travel	9,374	11,006
Telephone and utilities	204,309	169,383
Supplies and materials, airport	85,172	108,862
Supplies and materials, FBO	1,392,914	825,782
Insurance	46,808	87,759
Maintenance, operations, and contractual	391,098	394,757
Fees, licenses, and dues	6,561	63,036
Depreciation	1,605,455	1,543,386
Security	78,532	86,674
Parking expenses	5,040	8,464
Amortization of prepaid lease	7,007	7,007
Other expenses	<u>32,445</u>	<u>29,689</u>
Total operating expenses	<u>5,571,701</u>	<u>4,942,449</u>
Operating income (loss)	(2,273,192)	(1,686,920)
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	6,457	799
Interest income, restricted	13,030	10,652
Interest expense	(17,701)	(15,060)
Passenger facility charges	174,181	184,347
Customer facility charges	198,608	226,515
State grant – OAC	-	71,293
Federal grants – construction	<u>3,366,775</u>	<u>1,219,714</u>
Net non-operating revenues and expenses	<u>3,741,350</u>	<u>1,698,260</u>
Change in net position	<u>1,468,158</u>	<u>11,340</u>
NET POSITION, beginning of the year	<u>29,001,100</u>	<u>28,989,760</u>
NET POSITION, ending	<u>\$ 30,469,258</u>	<u>\$ 29,001,100</u>

See accompanying notes to financial statements.

Lawton Metropolitan Area Airport Authority
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from federal and state grants and contracts, program fees, and other revenues	\$ 3,325,001	\$ 3,235,355
Cash paid to suppliers for goods and services	(2,600,778)	(1,841,428)
Cash paid for salaries and benefits	(1,480,599)	(1,409,035)
Net cash provided (used) by operating activities	(756,376)	(15,108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	19,488	11,451
Net cash provided (used) by investing activities	19,488	11,451
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(4,769,634)	(1,206,989)
Federal grants	2,785,734	1,860,306
State and local grants	-	71,293
Program fees	372,789	410,862
Proceeds from borrowings	617,305	273,480
Principal payments on notes payable	(566,149)	(460,875)
Net cash provided (used) by capital and related Financing	(1,559,955)	948,077
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Expense	(19,269)	(13,261)
Net cash provided (used) by noncapital financing activities	(19,269)	(13,261)
Net increase (decrease) in cash and cash Equivalents	(2,316,112)	931,159
CASH AND CASH EQUIVALENTS, beginning	2,852,675	1,921,516
CASH AND CASH EQUIVALENTS, ending	\$ 536,563	\$ 2,852,675
RECONCILIATION OF TOTAL CASH & CASH EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Unrestricted	\$ 363,221	\$ 1,424,772
Restricted:		
PFC funds	173,342	269,001
CFC funds	-	1,158,902
Other restricted funds	-	-
Total cash & cash equivalents	\$ 536,563	\$ 2,852,675

See accompanying notes to financial statements.

Lawton Metropolitan Area Airport Authority
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Operating Income (loss)	\$ (2,273,192)	\$ (1,686,920)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,605,455	1,543,386
Amortization of prepaid land lease	7,007	7,007
Changes in assets and liabilities:		
(Increase) decrease in receivables	25,651	(15,025)
(Increase) decrease due from gvts (TSA/DHS)	1,480	(3,840)
(Increase) decrease prepaid expenses	(689)	(785)
(Increase) decrease in inventory	61,647	(69,074)
Increase (decrease) in accounts payable	(185,745)	218,713
Increase (decrease) in deferred revenue	(639)	(1,309)
Increase (decrease) in accrued expenses	3,701	1,831
Increase (decrease) in accrued compensated absences	<u>(1,052)</u>	<u>(9,093)</u>
Total adjustments	<u>1,516,816</u>	<u>1,671,811</u>
Net cash provided (used) by operating activities	<u>\$ (756,376)</u>	<u>\$ (15,108)</u>

See accompanying notes to financial statements.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Reporting Entity

Organization:

The Lawton Metropolitan Area Airport Authority (the Authority) was established by the City of Lawton (the City) as an Oklahoma Public Trust in October 1969 to operate the Lawton Municipal Airport and to modernize and expand the airport facilities. One Authority trustee is also a member of the City Council. The Authority does not have the power to levy taxes, and while the City of Lawton has no obligation for debt issued by the Authority, it is the beneficiary of the trust.

The Authority equips, operates, and maintains the airport facilities and collects various amounts related to Authority activities from leases and commissions. In-kind services, such as aircraft rescue and firefighting staff, are supplied by the City. The airport has a 30,000 square foot terminal and a general aviation terminal. American Eagle is the airport's commercial carrier. American Eagle offers daily flights to and from Dallas-Fort Worth International Airport. During most operating periods, the airport receives capital improvement funds from federal sources, passenger facility charges, City Capital Improvement Projects (CIP), and Oklahoma Aeronautic Commission (OAC) state grants.

Reporting Entity:

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City of Lawton's basic financial statements based on the City's responsibility for the appointment of the Authority members, and their approval of capital programs. As such, the Authority is included in the City's basic financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority is not involved in any joint ventures.

2. Summary of accounting policies

This report is prepared in conformity with U.S. Generally accepted Accounting Principles (GAAP) and the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Those statements establish standards for external financial reporting for all state and local governmental entities which include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of accounting policies (continued)

Basis of Accounting -- The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. The Statement of Revenues, Expenses, and Changes in Fund Net Position is a statement of financial activities related to the current reporting period.

Government-wide Financial Statements -- The adopted GASB Statements require that the overall financial condition of the Airport be displayed in three entity-wide financial statements. These are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows. These include all financial activity of the Airport.

The financial statements are presented using the “business-type activities” approach. Business-type activities are those that provide specific, divisible services to residents or businesses and are funded primarily by user charges. As is required by generally accepted accounting principles, the Authority reports using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method of accounting also distinguishes operating revenues and expenses from non-operating items and capital contributions. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as either non-operating revenues and expenses or capital contributions.

GASB Statements No. 34 and 63 require that the Statement of Net Position classify net position into three components: net investment in capital assets; restricted, and unrestricted. These classifications are defined as follows.

Net Investment in Capital Assets -- This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the net position component as the unspent proceeds.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of accounting policies (continued)

Restricted Net Position -- This component of net position consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. When both restricted and unrestricted sources are available for use, generally it is the Authority's policy to use restricted resources first.

Unrestricted Net Position -- This component of net position consists of those net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Component Unit -- Component units are legally separate organizations for which the officials of the primary entity are financially responsible. In addition, component units can be other organizations which the nature and significance of their relationship with the primary entity are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is a component unit of the City of Lawton.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and net position, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents -- The Authority considers cash on hand, demand deposits, interest bearing accounts, and investments with a maturity of 90 days or less to be cash and cash equivalents

Inventory -- The Authority maintains its inventory of snow removal chemicals and aviation fuel on the first-in-first-out (FIFO) method. Inventory balances were \$111,648 at June 30, 2023 and \$173,295 at June 30, 2022.

Investments -- All investments are recorded at fair value.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of accounting policies (continued)

Capital Assets -- Acquisitions of property and equipment with a useful life of more than one year and an original cost of \$1,000 or more are recorded as additions to capital assets. Depreciation of property and equipment has been calculated on the estimated useful lives using the straight-line method as follows:

<u>Type of Asset</u>	<u>Years</u>
Runways, ramps, and roads	20
Buildings and improvements	50
Equipment	5-20
Vehicles	5
Office furniture and equipment	5-10
Land Improvements	10-20

In-Kind and Match Revenue Expenses -- Certain grants require in-kind matching funds. The Authority participates in the Federal Aviation Administration's (FAA) passenger facility charge (PFC) program using these funds to provide matching funds for federal funding of construction contracts.

Statements of Cash Flows -- In accordance with GASB Statement 34, the accompanying financial statements include a Statement of Cash Flows which is presented using the direct method

Income Tax Status -- the Authority qualifies as an organization exempt from income taxes. As a government instrumentality, no provision has been made for federal or state income taxes.

Leases -- the Authority is a party as lessor for various noncancellable long-term leases of buildings, property and office space. The corresponding lease receivable is recorded in an amount equal to the present value of the expected future minimum lease payments received, discounted by an applicable interest rate.

Change In Accounting Principle - the Authority implemented *GASB Statement 87 - Leases* in the current financial statements. The prior period has been restated to reflect the prior period change resulting in the adoption of GASB Statement 87.

3. Deposits and Deposit Risk

The Authority is governed by the deposit and investment limitations of state law. The Authority held the following deposits at June 30, 2023:

<u>Type</u>	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 363,221	\$ 1,424,772
Demand Deposits, restricted	<u>173,342</u>	<u>1,427,903</u>
Total deposits	<u>\$ 536,563</u>	<u>\$ 2,852,675</u>

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

3. Deposits and Deposit Risk (continued)

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$536,563 at June 30, 2023 and \$2,852,675 at June 30, 22. All deposits were insured by depository insurance or secured with collateral held by the Authority’s agent in its name.

Investment Interest Rate Risk – The Authority has no normal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Investment Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

4. Receivables

Accounts Receivable -- the Authority submits requests for advances and/or reimbursements to grantor and pass-through agencies for grant funds. As of June 30, 2023 and 2022, respectively, the Authority had the following outstanding receivables:

	2023	2022
Government	\$ 647,504	\$ 67,943
Contracts and other	88,073	113,724
Accounts receivable	\$ 735,577	\$ 181,667

All amounts receivable at June 30, 2022 were collected. All amounts receivable at June 30, 2023 were collected or considered collectible subsequent to the year end.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

5. Fire services contributed by the City of Lawton

The City provides fire protection for the Authority in a facility owned by the Authority. Salaries and other costs paid by the City and dedicated to the Authority are recognized in the financial statements as in-kind contributions. In-kind contributions for the years ended June 30, 2023 and 2022, respectively, consisted of the following:

	<u>2023</u>	<u>2022</u>
Salaries	\$ 516,897	\$ 525,549
Taxes and fringe benefits	77,237	78,531
Maintenance, operations, and contractual services	59,884	60,335
Fire Services contributed by the City of Lawton	\$ 654,018	\$ 664,415

6. Capital assets

The Authority's investment in property and equipment at June 30, 2023 and 2022, and the related activity for the years then ended was as follows:

	<u>Balance June 2022</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance June 2023</u>
Assets not being depreciated				
Land	\$ 7,800	\$ -	\$ -	\$ 7,800
Construction in Process	448,828	4,339,183	(2,070,550)	2,717,461
Total assets not being depreciated	456,628	4,339,183	(2,070,550)	2,725,261
Assets being depreciated				
Runways, ramps, and roads	32,923,464	34,975		32,958,439
Buildings and improvements	19,183,595	2,116,688		21,300,283
Equipment	3,188,581	349,338		3,537,919
Vehicles	192,880	-		192,880
Furniture and equipment	166,152	-		166,152
Land improvements	830,495			830,495
Total assets being depreciated	56,485,167	2,501,001		58,986,169
Total assets	56,941,795	6,840,184	(2,070,550)	61,711,430
Less accumulated depreciation for:				
Runways, ramps, and roads	(22,800,365)	(1,026,431)		(23,826,796)
Buildings and improvements	(4,663,869)	(404,163)		(5,068,032)
Equipment	(2,586,939)	(122,309)		(2,709,248)
Vehicles	(165,642)	(12,892)		(178,534)
Furniture and equipment	(116,637)	(6,604)		(123,241)
Land improvements	(312,837)	(33,056)		(345,893)
Total accumulated Depreciation	(30,646,289)	(1,605,455)		(32,251,744)
Net capital assets	\$ 26,295,507	\$ 5,234,729	\$ (2,070,550)	\$ 29,459,686

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

6. Capital assets (continued)

Buildings are presented at cost, or fair market value if donated, while equipment, furniture and fixtures, and vehicles with a life of more than one year are included at cost.

Depreciation expenses for the years ended June 30, 2023 and 2022 were \$1,605,455 and \$1,543,386 respectively.

7. Rental income

The Authority, as operator of the airport facility, acts as lessor to various airlines and businesses operating at the airport. Rental revenues are billed and collected monthly. Some tenant's rents are based on sales. For more information on leases, refer to the specific lease agreements.

8. Leases Payable

City of Lawton -- On February 10, 1970, the Authority entered into a lease with the City of Lawton. This lease includes all airport facilities of the City as well as the terminal building, hangers, runway, taxiways, parking areas, and all airport facilities and real property belonging to the City. Per various amendments the lease does not require any payment to the City by the Authority. It does require the Authority to expend all revenues generated by the Authority for capital or operating costs of the airport. An amendment in 2002 extended the term of the original lease to an eighty year lease terminating December 31, 2049. For complete details relating to this lease, see the original lease agreement and all amendments.

Commissioners of the Land Office -- On February 14, 2007, the Authority entered into a commercial ground lease with Commissioners of the Land Office, State of Oklahoma. The Authority paid a one time lease amount of \$385,383. The term of the lease is fifty-five years. The Authority amortizes the \$385,383 on a straight line basis. The amortization amount for each year is \$7,007.

9. Airport security contract

During the year ended June 30, 2023 and 2022, the Lawton Metropolitan Area Airport Authority received and/or earned \$47,720 and \$55,880 respectively from the Transportation Security Administration and expended by reimbursement to the City of Lawton a like amount for airport police services. The revenue is included in operating revenue on the Statement of Revenue, Expenses, and Changes in Net Assets, and the expense is included in Security expense.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

10. Compensated absences

Employees are eligible to take vacation on a compensated basis after one year of service with the amount of vacation pay determined by length of service. Employees are allowed to carryover a maximum of 40 hours of vacation each year. The Authority limits payment of unused vacation time to a maximum of 80 hours upon termination of employment. Sick leave is accrued at a rate of 1 day per month for a maximum of 12 days per year and may accrue to a maximum of 160 hours. When an employee leaves the employment with the Authority, the balance of sick leave is forfeited.

The accompanying financial statements as of June 30, 2023 and 2022 include obligations of \$19,281 and \$20,333 in accrued liabilities for compensated absences, respectively.

11. Long-term debt

The Authority has two operating line-of-credits with a local financial institution for a total of \$621,000 with \$173,396 credit available to the Authority. The balance on June 30, 2023 was \$447,603 and 2022 was \$183,525. The loans carry a interest rate of 3.25%.

Annual principal payments to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 461,767	\$ 2,810	\$ 464,577
2025	13,475	2,115	15,590
2026	14,200	1,390	15,590
2027	14,963	627	15,590
2028 and thereafter	<u>3,756</u>	<u>33</u>	<u>3,789</u>
	<u>\$ 508,161</u>	<u>\$ 6,975</u>	<u>\$ 515,136</u>

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

12. Simplified employee pension plan

Plan Description -- On January 1, 1989, the Authority adopted a Simplified Pension Plan (a defined contribution plan) for all its full-time employees who are at least twenty-one (21) years of age, are not covered under a collective bargaining agreement, have worked at least one year of the immediately preceding five (5) years, and whose total compensation during the year is equal to or exceeds \$300. During the years ended June 30, 2023 and June 30, 2022 the Authority contributed 7% of eligible employees' annual salary into a flexible premium annuity and mutual funds i.e., a pension plan contribution of \$32,773 and \$31,646 respectively, was made by the Authority.

13. Grants and contracts

During the year ended June 30, 2023 and 2022 the Authority spent the following amounts under various grants and contracts related to airport construction and promotion projects. Some of the revenue has yet to be received, and some had been received in prior periods. The following has been expended:

Grant No	2023	2022
AIP Project 37	-	333,785
AIP Project 38	36,910	153,615
AIP Project 41	70,442	643,623
AIP Project 43	2,628,772	88,690
AIP Project 44	630,651	-
TSA	49,200	52,040
Total	\$ 3,415,975	\$ 1,271,753

14. Commitments and contingencies

Grant -- The Authority receives matching capital asset grants from the Federal Aviation Administration (FAA). The grant expenditures are subject to audit by the FAA, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material by management.

15. Risk Management

The Authority is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance, auto, and workers compensation for risk of loss. There have been no settlements in excess of the Authority's coverage.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

16. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2023 through December 8, 2023 which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of disclosure in the financial statements.

17. Leases Receivable

The Authority as a lessor, has entered into lease agreements involving land, buildings and office space. The authority has used a 4% rate for imputing interest on all leases. A summary of the entity's lease terms is as follows:

Lease of space in airport to restaurant. Monthly lease payments of \$400 beginning April 1, 2022 and ending March 31, 2024, with the first six months being free. The authority has used a 4% rate for imputing interest on the lease. Tenant also pays 5.2% of airport utilities which approximates the utility cost attributable to the restaurant. The lease provides the tenant with exclusive rights to sell food and beverages in the airport.

Lease to TSA of office space inside airport. The lease calls for monthly lease payments of \$2,961.25 beginning on January 1, 2020 with an annual escalation of 2% through the remainder of the lease term which expires on December 31, 2024. Tenant also pays \$300 per month to cover utilities and janitorial services attributable to their office space.

Lease of property adjacent to airport to the Lawton Municipal Golf Course and driving range. The lease calls for monthly payments of \$1,744.37 beginning on January 1, 2020 with an annual escalation of 5% beginning January 1, 2023 through the expiration of the lease on December 31, 2024.

Lease of exclusive terminal space to Avis/Budget Rent A Car and parking lot space. The lease calls for monthly payments of \$1,250.29 which includes annual rent of terminal space at \$190 per square foot, parking spaces at \$190/space and \$125/space for overflow parking spaces beginning March 1, 2022 through February 28, 2027. Included in the lease is a provision for a 2% annual escalation. In addition, the tenant is required to pay 10% of their gross revenue, excluding tax and fuel.

Lawton Metropolitan Area Airport Authority
Notes to Financial Statements
June 30, 2023 and 2022

17. Leases Receivable (continued)

Lease of exclusive terminal space to Enterprise/National Rent A Car and parking lot space. The lease calls for monthly payments of \$1,725.29 which includes annual rent of terminal space at \$190 per square foot, plus annual rent of parking spaces at \$190/space and \$125/space for overflow parking spaces beginning March 1, 2022 through February 28, 2027. Included in the lease is a provision for a 2% annual escalation. In addition, the tenant is required to pay 10% of their gross revenue, excluding tax and fuel.

Lease of land adjacent to the airport by the Bishop School System. The lease calls for annual payments beginning February 1970 of \$2,500 with a 2% biannual escalation through the expiration of the lease on December 31, 2040.

As explained above, certain leases require variable payments based on performance of the lessee and variable cost reimbursements such as utilities. Those variable payments are recognized as inflows of resources in the periods in which the payments are received. During the years ended June 30, 2023 and 2022, the Authority received variable payments from these leases as required by lease agreements totaling \$432,079 and \$543,665 respectively.

18. Regulated Lease

The authority has got one lease considered “regulated” as defined by GASB 87. This lease is a lease of space to American Airlines for office space inside airport, ticket counter space and inside and outside baggage space and is regulated by the Federal Aviation Administration. The lease calls for monthly lease payments of \$3,789.87 beginning on January 1, 2020 with an annual escalation of 2% through the remainder of the lease term which expires on December 31, 2024. Tenant also pays 5% of airport utilities which approximates the utility cost attributable to the tenant, and 37 cents per enplaned passenger and 85cents per one thousand pounds per landing. Because this lease is regulated the Authority has not made a provision for the lease receivable or deferred inflow. The Authority has recognized \$62,669 and \$68,849 in inflows during the reporting periods ending June 30, 2023 and 2022 respectively. Of those amounts, \$22,092 and \$27,504 were received in variable payments for the years ending June 30, 2023 and 2022 respectively. Future minimum payments under this lease agreement are as follows:

June 30, 2024	\$ 48,745
June 30, 2025	\$ 24,614

SUPPLEMENTARY INFORMATION

TURNER & ASSOCIATES, CPAs

201 Southwest 7th Street. • Lawton, OK 73501 • (580) 248-7738 • fax (877) 366-0330

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Lawton Metropolitan Area Airport Authority
Lawton, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lawton Metropolitan Area Airport Authority, and as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Lawton Metropolitan Area Airport Authority's basic financial statements, and have issued our report thereon date December 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawton Metropolitan Area Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton Metropolitan Area Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawton Metropolitan Area Airport Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton Metropolitan Area Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert A. Turner

Turner & Associates, CPAs
Lawton, OK
December 8, 2023

TURNER & ASSOCIATES, CPAs

201 Southwest 7th Street. • Lawton, OK 73501 • (580) 248-7738 • fax (877) 366-0330

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Lawton Metropolitan Area Airport Authority
Lawton, Oklahoma

Opinion on Each Major Federal Program

We have audited Lawton Metropolitan Area Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lawton Metropolitan Area Airport Authority's major federal programs for the year ended June 30, 2023.

In our opinion, Lawton Metropolitan Area Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lawton Metropolitan Area Airport Authority, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lawton Metropolitan Area Airport Authority, 's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lawton Metropolitan Area Airport Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error,

and express an opinion on Lawton Metropolitan Area Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lawton Metropolitan Area Airport Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lawton Metropolitan Area Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lawton Metropolitan Area Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lawton Metropolitan Area Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control

over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Firm's Signature

Robert A. Turner

Turner & Associates, CPAs

Lawton, OK

December 8, 2023

**Lawton Metropolitan Area Airport Authority
Schedules of Expenditures of Federal Awards
For The Year Ended June 30, 2023**

<u>Federal Grantor Agency/Grant Program/Grant Number</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:			
Federal Aviation Administration - Airport Improvement Program			
03-40-0051-38	20.106	N/A	36,910
03-40-0051-41	20.106	N/A	70,442
03-40-0051-43	20.106	N/A	2,628,772
03-40-0051-44(COVID 19)	20.106	N/A	<u>630,651</u>
Total CFDA 20.106			<u>\$ 3,366,775</u>
 U.S. Department of Homeland Security:			
Transportation Security Administration - Airport Checked Baggage Inspection System Diagram			
	97.117	N/A	<u>49,200</u>
Total CFDA 97.117			<u>49,200</u>
Total Expenditures of Federal Awards			<u>\$ 3,415,975</u>

Lawton Metropolitan Area Airport Authority
Notes to Schedules of Expenditures of Federal Awards
For The Year Ended June 30, 2023

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents the activity of the federal awards program of Lawton Metropolitan Area Airport Authority (the Authority) for the year ended June 30, 2023. Federal awards received directly from federal agencies and expended by the Authority are included in the schedule. Although the Authority is required to match certain grants, as defined therein, no such matching has been included in the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards has been prepared on the basis of accounting as defined by Uniform Guidance. Under this basis, expenditures are recognized when the activity related to the award occurs.

3. Risk-Based Audit Approach

The dollar threshold to distinguish between Type A and Type B programs is \$750,000. The Authority does not qualify as a low-risk auditee.

4. Sub-Recipients

Of the expenditures presented in the schedule, The Authority did not provide any awards to sub-recipients.

5. Outstanding Federal Loans

The Authority has no federal loan obligations as of June 30, 2023.

6. Indirect Cost Rate

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the year ended June 30, 2023.

**Lawton Metropolitan Area Airport Authority
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2023**

Section 1—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiency identified that is not considered to be material weaknesses? YES NO

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? YES NO
- Significant deficiency identified that is not considered to be material weaknesses? YES NO

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in accordance with the Uniform Guidance. YES NO

Identification of major programs

<u>CDFA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk? YES NO

**Lawton Metropolitan Area Airport Authority
Schedule of Findings and Questioned Costs Continued
For The Year Ended June 30, 2023**

Section 2—Financial Statement Findings

None

Section 3 – Findings and Questioned Costs – Major Federal Program Audit

None

Section 4 — Prior Audit Finding and Questioned Costs:

None

TURNER & ASSOCIATES, CPAs

201 Southwest 7th Street. • Lawton, OK 73501 • (580) 248-7738 • fax (877) 366-0330

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT FAA AUDIT GUIDE FOR PUBLIC AGENCIES

Board of Trustees
Lawton Metropolitan Area Airport Authority
Lawton, Oklahoma

Opinion on Passenger Facility Charge Program

We have audited Lawton Metropolitan Area Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit FAA Audit Guide for Public Agencies* (the FAA Audit Guide) issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the year ended June 30, 2023.

In our opinion, Lawton Metropolitan Area Airport Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2023.

Basis for Opinion on Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the FAA Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lawton Metropolitan Area Airport Authority, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of Lawton Metropolitan Area Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of Lawton Metropolitan Area Airport Authority's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and

express an opinion on Lawton Metropolitan Area Airport Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the FAA Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lawton Metropolitan Area Airport Authority's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the FAA Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lawton Metropolitan Area Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lawton Metropolitan Area Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the FAA Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Lawton Metropolitan Area Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the FAA Audit Guide. Accordingly, this report is not suitable for any other purpose.

Firm's Signature

Robert A. Turner

Turner & Associates, CPAs
Lawton, OK
December 8, 2023

Lawton Metropolitan Area Airport Authority
Schedules of Passenger Facility Charges
For The Year Ended June 30, 2023

REVENUE	<u>Beginning Balance</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>6/30/23 Total</u>	<u>Program Total</u>
Collections	\$ 4,592,767	\$ 43,698	\$ 42,310	\$ 40,000	\$ 48,173	\$ 174,181	\$ 4,766,948
Interest	46,975	27	141	279	614	1,061	48,036
Total revenue	<u>4,639,742</u>	<u>43,725</u>	<u>42,451</u>	<u>40,279</u>	<u>48,787</u>	<u>175,242</u>	<u>4,814,984</u>
 DISBURSEMENTS							
Application 92-01-C-03-LAW(closed)	452,189						452,189
Application 97-02-C-03-LAW (closed)	380,745						380,745
Application 02-03-C00-LAW (closed)	303,687						303,687
Application 04-04-C-00-LAW (closed)	249,492						249,492
 PROJECTS:							
Application 07-05-C00-LAW							
1—Drainage Reimbursement	40,328						40,328
2—Master Plan Update	10,912						10,912
3—Fire Suits	12,555						12,555
4—Rehab T Hangar Taxiways	38,342						38,342
5—Reconstruct Taxiway G	29,573						29,573
6---Extend Taxiway G							
7---Rehab s. 2400 of Runway	416,956						416,956
8---Rehab Runway Joints	17,500						17,500
Application 08-06-C00-LAW							
1—Emergency Power Generator	228,562						228,562
2—Terminal Building Renovations	346,122						346,122
3—Security Enhancements	383,793						383,793
4—PFC Application and Admin fees	29,612						29,612

Lawton Metropolitan Area Airport Authority
Schedules of Passenger Facility Charges (continued)
For The Year Ended June 30, 2023

Application 13-07-C-00-LAW

1—Taxiway A Pavement Soil Testing	7,052						7,052
2—Taxiway Rehab	28,581						28,581
3—Runway Overlay Design	10,617						10,617
4---Pavement Replacement Design	2,632						2,632
5---Pavement Replacement Construction	25,084						25,084
6---Boarding Gate Preliminary Design	32,674						32,674
7---Boarding Gate Final Design/Construction	126,936						126,936
8---Baggage Claim Preliminary Design	17,700						17,700
9---Baggage Claim Construction							
10---Boarding Bridges Installation							
11---SRE Design/Construction	86,233						86,233
12---Sweeper Truck Procurement	62,215						62,215
13---ARFF Vehicle Procurement	32,404						32,404
14---Wildlife Hazard Assessment	4,735						4,735
15—PFC Application and Administration	10,556						10,556

Application 16-08-C-00-LAW

1—Airside Electrical Improvements	122,823						122,823
2—PFC Application and Administration	24,000						24,000
3—ARFF Suits	15,000						15,000
4---Wildlife Fencing (Design and Construction)	40,400						40,400
5---ARFF Building Construction	258,117						258,117
6—PFC Application and Administration	10,000						10,000

Application 19-09-C-00-LAW

1---Expand Terminal Design	68,480						68,480
2---Terminal Bldg Construction	290,509						290,509
3---Terminal Bldg Construction		269,230	122	19,625	10		288,987
6---ARFF Building Design	31,111						31,111
7---Emergency Generator	33,961						33,961
8---Rehabilitate Runway	88,593						88,593

Total disbursements	4,370,781	269,230	122	19,625	10	288,987	4,659,768
Net Passenger Facility Charges	<u>287,087</u>	<u>(225,505)</u>	<u>42,329</u>	<u>20,654</u>	<u>48,777</u>	<u>(113,745)</u>	<u>173,342</u>
Passenger Facility Charges account balance	<u>\$ 287,087</u>	<u>\$ 61,582</u>	<u>\$ 103,911</u>	<u>\$ 124,565</u>	<u>\$ 173,342</u>	<u>\$ 173,342</u>	<u>\$ 173,342</u>

Lawton Metropolitan Area Airport Authority
Notes to the Schedule of Passenger Facility Charges
For The Year Ended June 30, 2023

Note 1 – GENERAL

The Schedule of Passenger Facility Charge presents only the activity of the Passenger Facility Charge (PFC) program of the Lawton Metropolitan Area Airport Authority.

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of PFCs and the use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. PFCs are fees imposed on enplaned passengers by the Authority for the purpose of generating revenue for Authority projects that increase capacity, increase safety, mitigate noise impact and enhance competition between and among air carriers in accordance with FAA approvals.

Note 2 – BASIS OF PRESENTATION

The accompanying schedule is presented using the cash basis of accounting.

**Lawton Metropolitan Area Airport Authority
 Passenger Facility Charges Audit Summary
 For The Year Ended June 30, 2023**

- | | | |
|--|--|--|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Modified |
| 2. Type of report on PFC compliance | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Modified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA decision to pay only for the allowable costs of the projects. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7, and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence | <input type="checkbox"/> Yes | <input type="checkbox"/> No
<input checked="" type="checkbox"/> N/A |